PRESENTATION OF TOPSIL

AU investor event

September 2nd 2015

TOPSIL

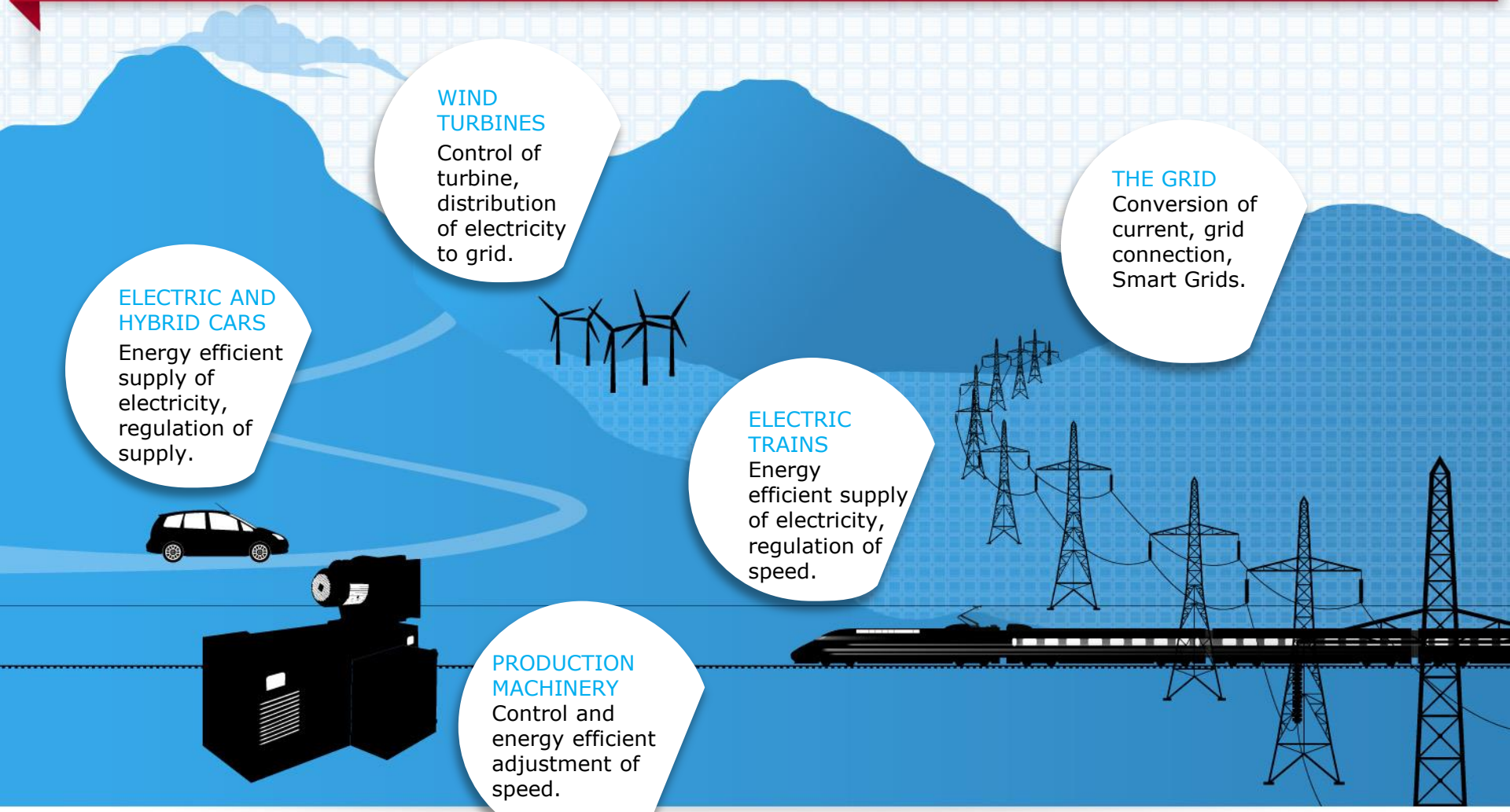
AGENDA

- **Topsil in brief**
  - **Our business**
- Strategy and business update
- Questions

DEDICATED TO HIGH QUALITY SILICON MANUFACTURE SINCE 1959

- Highly specialised manufacturer of silicon wafers for advanced electrical components on the power market.
- Amongst only a handful of companies worldwide capable of manufacturing ultrapure silicon (float zone).
- Customers: Relatively few large multinational companies in the semiconductor industry, and for a minor part, research institutions/universities.
- Substantial investment programme of DKK 300m 2010-2012 in facilities, technology and equipment to strengthen overall position in market.
- New plant in Copenhagen Cleantech Park (Fr.sund.)
- Subsidiaries in Warsaw, Poland, and Kyoto, Japan.
- Listed on NASDAQ OMX Nordic stock exchange since 1986.

ULTRAPURE SILICON
ENABLING THE WORLD OF TOMORROW



MACRO ECONOMIC DRIVERS ON POWER MARKET

- Growing middle class worldwide, urbanisation. This calls for modern conveniences such as access to stable supply of electricity, well-functioning public transport, cars, white goods, etc.

- Development of green technologies driven by concern of increased levels of pollution, focus on CO_2 emissions, price on fossil fuels.

- Political action: Grid improvements and planning of public transport are in essence driven by governments, including size of investments and pace of implementation.

Courtesy of Toyota hybrid

MARKET CHARACTERISTICS

- High entrance barriers to industry
  - Long production cycles,
  - Inter-dependency - long term relations in value chain
  - Long and costly qualification processes

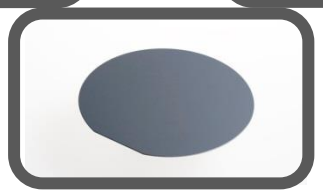
- In 2010 Topsil entered long term agreements with raw material suppliers and main customers
- Step-change in technology opening new opportunities
  - Towards larger size wafers (200mm)

Polysilicon

Power component

Final application

Courtesy of Toyota hybrid



Finished wafers

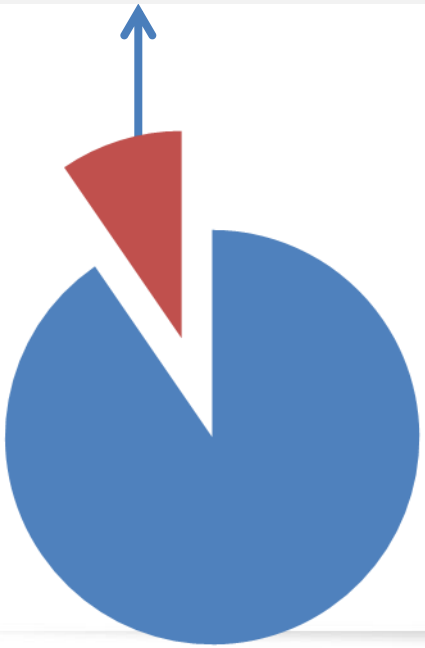
Power module

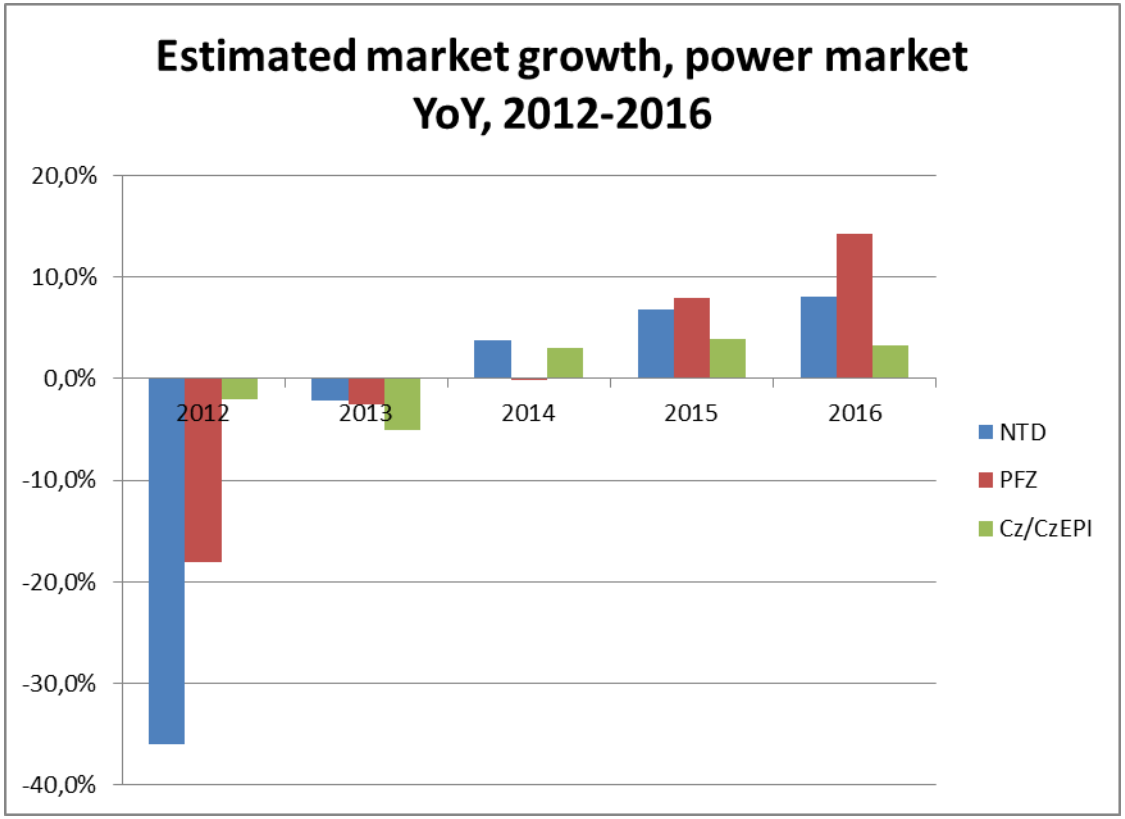
POWER MARKET, MARKET SIZE 2012 - 2016

The aggregated silicon market worth around USD 10 billion in 2014.

The power market accounted for about 10% of this market. Main substrates are NTD, PFZ and CZ/CZ-EPI.

Sources: SEMI, Yole Developpement, March 2015





Source: Yole Developpement, March 2015

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STRATEGY UPDATE, EXECUTING ON OPPORTUNITIES

Four key points:

- **STRENGTHEN POSITION IN HIGH AND MEDIUM POWER, ESPECIALLY PFZ AND NEXT GENERATION WAFERS (200 MM)**
- **EXPAND POSITION IN JAPAN AND CHINA**
- **REDUCE WORKING CAPITAL AND INCREASE CASH FLOWS FROM OPERATIONS**
- **ENHANCE PRODUCTION EFFICIENCY**

In line with our strategy, our growth platform was strengthened

- New technically improved products were launched and qualified by customers (next version 150 mm & 200 mm FZ wafers).
- Topsil Japan has been established and an agreement was signed with a Japanese partner on sales and marketing development.
- In China framework agreements signed with two large customers.
- The efficiency measures implemented in production led to a higher rate of utilisation of raw materials and resources. Topsil's target of reducing the average variable cost per wafer by a minimum of 15% during the strategy period has now been achieved.
- At the end of 2014 production in Denmark was moved to a single site at the new plant.
- New sales management in place, which led to a number of sales supporting initiatives in 2014 and 2015 to grow sales on the price-focused power market.

Updated strategy planned to be published in Q4 2015 with focus on

- lifting earnings to a significantly higher level,
- reducing working capital, and
- strengthening the capital base.

TOPSIL

1 HALF 2015 AS EXPECTED

HIGHLIGHTS OF 1 HALF 2015

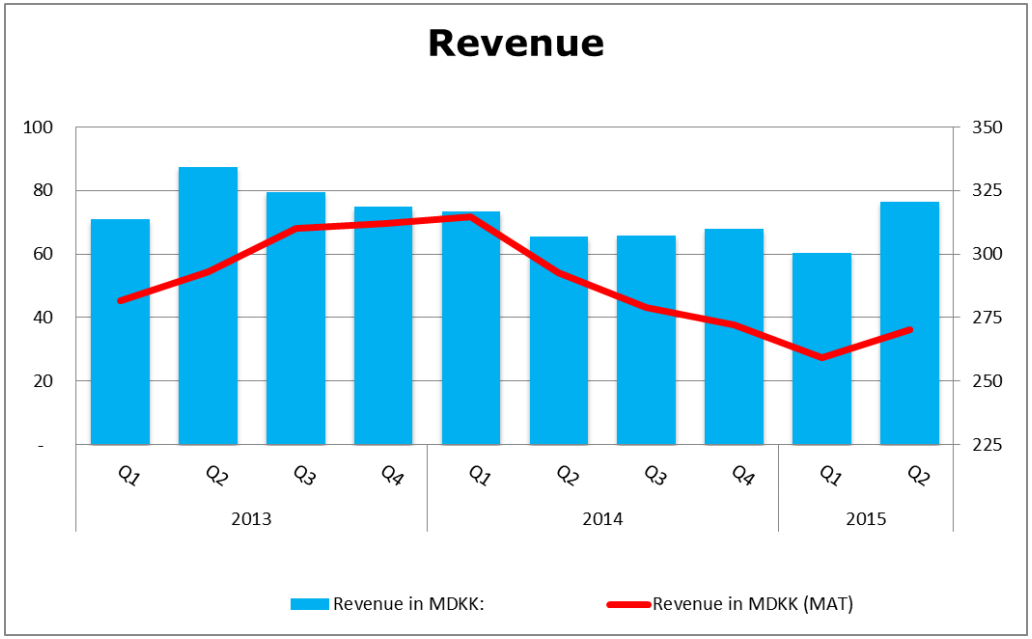
Customer claim

- In Q1 2014 Topsil received a complaint from one of its largest customers.
- The defect was identified at a third-party contractor followed by extensive analysis.
- Complaint settled with the customer and an agreement made to resume deliveries, beginning in Q2.
- Agreement concluded with Topsil's third-party contractor regarding financial compensation.

Business

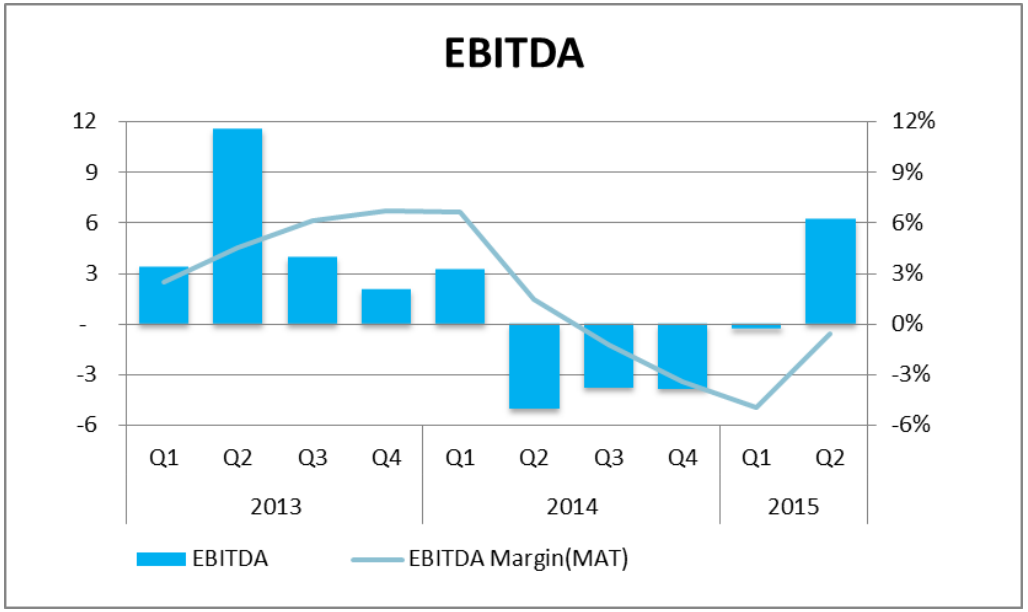
- Long-term contract extended by 2 years to and including 2017 with one of Topsil's biggest customers.
- Cost reduction programme implemented after the consolidation of manufacturing sites.
- Efficiency improvement programmes reducing production cost and helps driving up the contribution ratio.

REVENUE



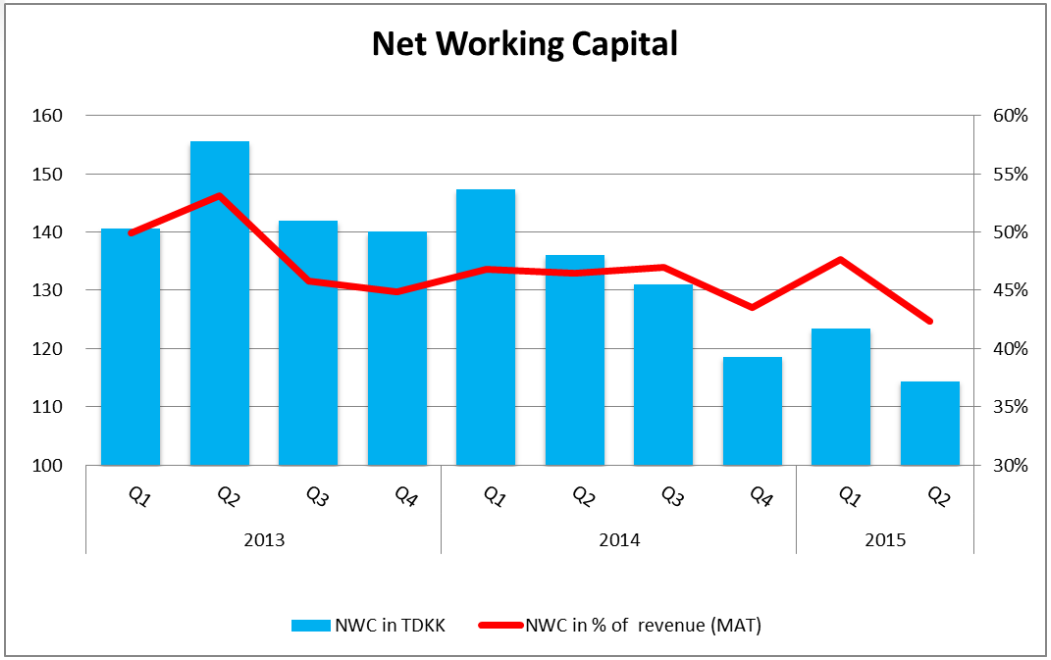
- Revenue 1H 2015 at DKK 136.6m (DKK 138.7m in 1H 2014).
- Customer complaint resolved and deliveries to customers resumed in Q2.
- Prices remain squeezed due to the continuing surplus capacity in the industry.

EBITDA



- Contribution ratio 49.2% in 1H (1H 2014: 45.7%).
- Fixed costs decreased by DKK 4.0m in 1H.
  - Production at one plant in DK and announced cost saving program.
  - Reduction of 15 non-production employees in January 2015 (in Q2 2/3 of the redundant employees left the company).
- EBITDA was a profit of DKK 5.9m against a loss of DKK 1.8m in 1H 2014.

NET WORKING CAPITAL



Net working capital (NWC) of DKK 114.5m, representing a decline of DKK 4.1m vs. end of 2014.

- Inventories DKK 167.3m, up DKK 11.1m, compared to the end of 2014 mainly due to purchase commitments.
- Prepayments from customers were DKK 18.6m higher than at the end of 2014 due to extension of a long-term contract with one of Topsil's biggest customers.
- Trade creditors increased by DKK 14.1m year-on-year, partly as a consequence of the raw material obligations and agreed retention of payments to the third-party contractor involved in the customer complaint case of around DKK 7m.

EXPECTATIONS FOR 2015 ADJUSTED

- After signing the agreement with the third-party contractor the guidance for EBITDA increased from DKK 10-20m to DKK 14-24m. Revenue growth is still expected to be in the range of 0-5%.

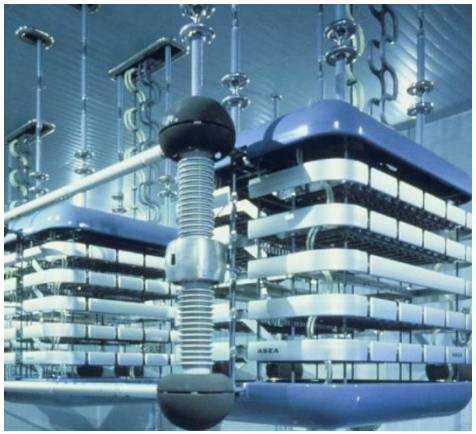
- Revenue is expected to grow in 2015, which is based on the strategic growth initiatives, the positive trend in the market and a gradual resumption of deliveries to the customer involved in the complaint in 2014. The highest growth rates are expected in Asia, especially in the market for silicon products for the medium-voltage segment (FZ-PFZ).

- The underlying volume growth will be somewhat higher, but prices are expected to remain squeezed as the surplus capacity in the market continues. However, the lower selling prices are expected to be offset by efficiency improvements and cost reductions.

The guidance is based on exchange rates of DKK 650/USD 100 and DKK 180/PLN 100..

OUR BUSINESS CASE IN SHORT

- Currently the power market is in a downturn
  - Over capacity
  - Price pressure
- Attractive market mid- to long term
  - Favourable mega trends
  - High entrance barriers to industry
- Improved business platform
  - State-of-art plant and equipment
  - Next generation products introduced
  - Quality level lifted to automotive industry level
- Focused strategy
  - Sales expansion possibilities
  - Efficiency gains



DISCLAIMER: This presentation includes forward-looking statements reflecting management's current expectations for certain future events and financial performance. Forward-looking statements are inherently subject to uncertainties, and results may differ significant from expectations. Factors that may cause the actual results to differ from expectations includes, but are not limited to, developments in the economy and financial markets, changes in the silicon market, market acceptance of new products and the introduction of competing products. Topsil is only obliged to update and adjust the expectations if so required by Danish legislation and the Danish law on securities trading, etc.

KALLE HVIDT NIELSEN
CEO

Phone: +45 40 25 67 00
E-mail: khn@topsil.com

Topsil Semiconductor Materials A/S
Siliciumvej 1
DK-3600 Frederikssund

Phone: +45 47 36 56 00
Fax: +45 47 36 56 01
E-mail: topsil@topsil.com

TOPSIL